

Hello,

Fiscal Assistance has been made aware of an IRS notice that I have summarized below; that may affect some of the individuals that you currently support. Since you have direct contact with the individuals you support, you may know of someone that this change may benefit. This change is for Caregivers who provide live-in support. To be eligible, the caregiver would need to live with your client, receive mail, eat and sleep at that residence without having access to any other residence.

If you have anyone that you think would qualify for this benefit, please forward that name to me and I will contact them to explain the change and see if they qualify. If they qualify, I will give them information regarding amending past taxes and how to proceed going forward.

If you have any questions regarding this notice, please let me know.

Thank you for your assistance.

IRS Notice 2014-7 <http://www.irs.gov/pub/irs-drop/n-14-07.pdf>

Summary

To achieve consistent federal tax treatment of Medicaid waiver payments among the states and individual care providers, this notice provides that as of January 3, 2014, the Service will treat qualified Medicaid waiver payments as difficulty of care payments under § 131(c) that are excludable under § 131, and this treatment will apply whether the care provider is related or unrelated to the eligible individual.

For purposes of this notice, qualified Medicaid waiver payments are payments made by a state or political subdivision thereof, or an entity that is a certified Medicaid provider, under a Medicaid waiver program to an individual care provider for nonmedical support services provided under a plan of care to an eligible individual (whether related or unrelated) **living in the individual care provider's home.**

Personal care services include assistance with eating, bathing, dressing, toileting, transferring, maintaining continence, personal hygiene, light housework, laundry, meal preparation, transportation, grocery shopping, using the telephone, medication management, and money management. Skilled services that only a health professional may perform are not personal care services.

Section 131(d)(2) provides that a provider may not exclude payments for the care of more than 10 eligible individuals under age 19 or more than five eligible individuals who are age 19 or over. Because qualified Medicaid waiver payments are difficulty of care payments, they are subject to these limits.

This notice does not address whether qualified Medicaid waiver payments excluded from income under this notice may be subject to tax under the Federal Insurance Contributions Act (FICA) or the Federal Unemployment Tax Act (FUTA) in certain circumstances.

EFFECTIVE DATE: This notice is effective for payments received on or after January 3, 2014. Taxpayers may apply this notice in taxable years for which the period of limitation on claims for a credit or refund under § 6511 has not expired.